

Message Text

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ACTION SS-14

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C O N F I D E N T I A L ANKARA 2213

FROM AMBASSADOR FOR STATE DEPARTMENT COUNSELOR NIMETZ
AND EXIMBANK PRESIDENT MOORE

LIMDIS

E.O. 11652: GDS
TAGS: EFIN, TU
SUBJ: EXIMBANK SIGNAL TO BANKING COMMUNITY ON BEHALF OF TURKEY

1. NOW THAT AGREEMENT BETWEEN TURKS AND IMF ON TERMS
OF STANDBY AGREEMENT APPEARS IMMINENT, I
BELIEVE THAT THE TIME HAS COME FOR OUR GOVERNMENT TO
DEMONSTRATE ITS SUPPORT FOR AND CONFIDENCE IN TURKEY'S
ECONOMIC STABILIZATION PROGRAM. APPROPRIATE MEANS
OF MAKING THIS POINT MIGHT BE VISIT OF HIGH-LEVEL
EXIMBANK TEAM, PERHAPS INCLUDING CHAIRMAN MOORE, TO
MAKE CURRENT ASSESSMENT OF TURKISH ECONOMIC OUTLOOK,
CONSULT WITH NEW ECEVIT GOVERNMENT ON ITS INVESTMENT
PRIORITIES, AND CONSIDER REACTIVATION OF SUSPENDED
EXIM PROJECTS AND POSSIBLE APPROVAL OF NEW ONES.

2. DURING FEBRUARY DISCUSSIONS WITH COUNSELOR
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NIMETZ IN ANKARA, TURKISH SIDE REPEATEDLY EMPHASIZED
THAT GOT URGENTLY NEEDED FLOW OF NEW FUNDS BETWEEN TIME
WHEN IMF AGREEMENT IS CONCLUDED AND COMMERCIAL BANKS
RESUME LENDING OPERATIONS. WE HAVE RECENTLY HEARD FROM
AMERICAN COMMERCIAL AND BANKING SOURCES IN TURKEY THAT
THIS PERIOD MAY BE LONGER THAN WE HAD EARLIER
EXPECTED. BANKS PRESENTLY APPEAR TO BE PREOCCUPIED

WITH REFINANCING CREDITS TO TURKEY PAST DUE OR SOON DUE TO THEM AND THEY MAY NOT BE PREPARED FOR SOME MONTHS TO PUT NEW MONEY INTO THE COUNTRY. THERE COULD BE AN EXTENDED PERIOD, DESPITE THE IMF AGREEMENT, WHEN TURKS WILL FIND THEMSELVES UNABLE TO PUT NEW UNDERTAKINGS ON A CURRENT-PAYMENTS BASIS, AS THEY HOPE TO DO.

3. DURING INFORMAL CONVERSATION AT TIME OF MR. NIMETZ' VISIT IN FEBRUARY, SECRETARY GENERAL OF TURKISH TREASURY, VURAL GUCSAVAS TOLD ME--SOMETIMES IN IMPASSIONED TONES--THAT ECONOMIC STABILIZATION MEASURES TO BE IMPLEMENTED BY GOVERNMENT ADDED UP TO A SEVERE AUSTERITY PROGRAM. ITS "BITE" WOULD SOON BEGIN TO BE FELT BY THE TURKISH PEOPLE. HE EXPRESSED CONCERN AND EVEN BITTERNESS THAT IF FINANCIAL INSTITUTIONS AND GOVERNMENTS ABROAD FAILED TO RESPOND PROMPTLY WITH FRESH FINANCING FOR ONGOING DEVELOPMENT AS WELL AS FOR MAINTENANCE OF ECONOMIC ACTIVITY, SOCIAL UNREST--ALREADY AT WORRISOME LEVELS--COULD BECOME UNMANAGEABLE AND THREATEN NOT ONLY THE ECEVIT GOVERNMENT BUT DEMOCRACY IN TURKEY.

4. I KNOW, OF COURSE, THAT EXIMBANK WILL NOT PROVIDE BALANCE-OF-PAYMENTS FINANCING FOR TURKEY. I BELIEVE, HOWEVER, THAT A WELL-TIMED AND WELL-PUBLICIZED HIGH-LEVEL EXIM CONTACT WITH THE TURKS, CONFIDENTIAL

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ESPECIALLY IF THIS WERE TO BRING ABOUT EVEN A MODEST RESUMPTION OF EXIM LENDING TO TURKEY, COULD SPEED NEW LOANS BY COMMERCIAL BANKS. THE PRIVATE BANKS ARE NOW, AND MAY BE INDEFINITELY, THE ONLY SOURCE OF NEW FUNDS FOR TURKEY.

5. I THINK THAT SUCH A SIGNAL FROM EXIM COULD BE OF ECONOMIC ASSISTANCE FAR BEYOND THE AMOUNT OF DOLLARS THAT MIGHT BE INVOLVED. FURTHERMORE, THE LEAD WHICH THE US GOVERNMENT WOULD BE TAKING IN GIVING THIS SIGN WOULD FULFILL TO AN IMPORTANT DEGREE THE ASSURANCES PROVIDED SEPARATELY BY SECRETARY VANCE AND MR. NIMETZ EARLIER THIS YEAR OF THE DESIRE OF THE AMERICAN GOVERNMENT TO BE HELPFUL TO TURKEY ECONOMICALLY.

6. I RECOMMEND THAT WE DO ALL THAT WE APPROPRIATELY AND REASONABLY CAN TO REINFORCE THE IMF'S SIGNAL THAT TURKEY IS NOW TAKING WELL-CONCEIVED MEASURES TO RESTORE ITS ECONOMIC STABILITY.
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